Illinois Association of Mortgage Professionals
IAMP ESTABLISHED 1987
350 West 22nd Street, Suite 104, Lombard, IL 60148
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April 4, 2008

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW.
Washington, DC 20551.

Dear Ms. Johnson,

I. Background Information on the Illinois Association of Mortgage Professionals (IAMP)

A. The IAMP is a twenty (20) year old trade association that has over 800 member companies. The membership is comprised of mortgage brokers, lenders, wholesalers, banks, credit unions, credit companies, title companies and appraisers. We are very proud to be an association that works to establish productive programs that help the consumer as well as the mortgage professional.

B. The state of Illinois has 1,500 licensed companies and over 18,000 registered loan officers. These numbers have dropped from 2,200 companies and over 24,000 loan officers in just the past 18 months.

C. Our association for the past 20 years has worked hard to shape its education and its programs to meet the needs of the ever changing market conditions, meaning we have designed courses and conventions to meet the needs of all facets of the industry, so that we can give the mortgage professional a more rounded education. This has resulted in over 200 days of educational opportunities yearly in the state of Illinois.

II. The Mortgage Origination Process.

A. Over the past 20 years the mortgage origination process has become one and the same, no matter who originates the loan, with one exception. Since 1992, the mortgage brokers are the only segment of the market that have had to disclose all of its income to the consumer. No other segment of any business, much less the mortgage industry, has ever been required to disclose all their income. Yet, even though we disclose all of our income at application and again at the closing, the mortgage brokers are yet again being targeted for misleading the consumer. How is that possible, when we are required to disclose the Yield Spread Premium (YSP) at application? The real difficult portion of all of this is that banks or mortgage bankers do not have to disclose the profits that they make off the sale of their loans. It is discriminatory that only a portion of the industry has to disclose their income.

1) 2007 FTC Study: *Improving Consumer Mortgage Disclosures: An Empirical Assessment of Current and Prototype Disclosure Forms,* showed that consumers were less confused with the disclosures and the process that mortgage brokers must follow when compared to the mortgage banking originators

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2) It must also be remembered that if all the quotes that a borrower gets are all 6% and 0 points, the cost is the same to the borrower. How can a borrower pay more for a loan that is 6% and 0 Points, no matter where he/she goes? The insinuation that mortgage brokers are making more and charging more because they are receiving a Yield Spread Premium, has no grounds in fact, because if they are all charging the same, how is it a borrower is going to pay more with a mortgage broker?
3) The IAMP is in support of the consumer protection goals of the Federal Reserve Board's proposed amendments to Regulation Z, *but respectfully oppose* the proposal to restrict compensation for mortgage brokers
4) The services that mortgage brokers provide are as an intermediary between borrowers and lenders. The value the broker adds to the real estate transaction is by serving BOTH parties, but representing NEITHER.

III. How Mortgage Brokers and Lenders are Compensated

A. Mortgage Brokers compensation is in the form of origination fees and Yield Spread Premium paid to them by the lender. The YSP is based off the value of the loan and what the lender can sell the loan for in the open market. Based off daily rate sheets the lender tells the mortgage broker how much they will earn if a loan is delivered to them. The Mortgage Broker then has to take the information and price it to stay competitive. In today's world of internet and a more educated borrower, it is not uncommon to have the borrower move their loan amongst originating companies for as little as a quarter point, thus if they are not competitive, they will not get the loan.

1) The Proposed Rule's provisions relating to additional disclosure of broker compensation fail to consider studies by the FTC, the most relevant and comprehensive research on the issue, which conclude that such disclosures "confused consumers, leading many to choose loans that were more expensive".

IV. How Mortgage Brokers are Regulated

A. The statement that Mortgage brokers are regulated less than banks, would be true. We don't have checking accounts and other banking duties. When it comes to mortgage origination, the disclosures are all the same, in fact in Illinois we have to do more disclosures than any banking entity. Since 1992 we have disclosed all income and fees at application, we have disclosed all through the loan and again at closing, any changes that may have occurred in the costs or pricing.

1) In the state of Illinois mortgage companies have to be licensed, are subject to audits no different than banks. On an annual basis they must submit financial reports as well as submit an extensive renewal package to keep their license.

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2) Since 2004 each loan officer has had to be registered, which includes a criminal background check, a state and county background check, and pass a state licensing exam. The IAMP pushed for this requirement for six years before it was passed into law as the regulator was not sure they wanted it. We are already ahead of even the Federal Government on this issue.
3) We are limited to 5% in total fees including Yield Spread Premium (YSP), much more restrictive than any federal law.

V) Programs

A. It is proposed to eliminate the use of the stated income loans. For the past twenty five years, stated income loans have been used to help the self-employed borrower **and the foreclosure problem was limited or non-existent**. Within the past three years, the stated income loans have become a problem mainly because the investors which were Wall Street and the large banks allowed W-2'd employed individuals to use the product. It has become a way for the W-2'd borrowers to qualify for a loan even though they may not make the income they stated.

1) It is recommended not to remove the stated income loans but to limit them to self-employed individuals.

VI) Conclusion

A) Consider alternatives to the proposed regulation which would protect consumers in their dealings with all mortgage originators, and encourage competition on price and service.

B) Require full disclosure of all income and fees by all loan origination companies, no matter their state or federal distinction.

C) National Registration system that is going to require all mortgage originators to be registered and meet criminal background standards. If this system is going to be established, than make sure there is sufficient monies and investigators to get the bad guys out of the business.

D) Allow stated income loans for the self-employed instead of eliminating these borrowers from buying or refinancing.

Thank you to the Board of Governors of the Federal Reserve for considering our comments and recommendation.

Sincerely,

Paul Lueken

Paul Lueken
IAMP President

I agree with Paul's comments.
Thank you.
Sincerely,
Charlene A. Larson
Loan Originator
Americorp Mortgage Funding
Member IAMP.
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